

JUNE 1961



1026 17th STREET, N. W., WASHINGTON 6, D. C.

# Act for International Development

Our foreign aid program is not new. We have had more than 13 years of experience, of trial and error and experimentation, with a program serving a variety of ends through a variety of means.

We have responded to the urgent needs of the developing world with many kinds of assistance—economic, technical, military. But our program has evolved in a piecemeal and somewhat haphazard fashion, as a response to special crises and changing circumstances. It has been largely uncoordinated, and has operated on a year-to-year basis that has made consistent planning difficult or impossible.

A new Administration has now taken a new look at a 13-year-old program and has proposed new concepts and new methods—in short, a new approach to development assistance.

The cardinal points of the “new” for the “old” were first outlined in President Kennedy’s special message to Congress in March on foreign aid. They are: 1) long-term financing for long-range approaches to long-range problems; 2) improved, more efficient, simplified administration; 3) encouragement of intensive efforts by recipient countries to mobilize their resources and especially to make necessary internal reforms; 4) increased cooperative efforts by all industrial nations—a partnership effort, not solely an American effort.

Initially the President asked Congress for \$4 billion for the first year (fiscal 1962) of the new program—the same amount which had been previously proposed by President Eisenhower. This total, however,

was increased to \$4.806 billion (\$2.921 for economic aid and \$1.885 for military assistance) by President Kennedy in his personally delivered message to Congress in May.

## A.I.D. MEANS AID

The Act for International Development of 1961 (AID) is one part of the new authorization bill proposed to take the place of the old Mutual Security Act.

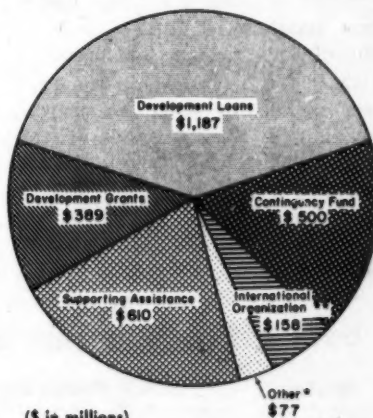
The bill’s major purpose is “to promote the foreign policy, security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic and social development and internal and external security. . . .”

To carry out this purpose, AID proposes that Congress authorize money to be spent in these five ways:

- To assist and support nations whose independence or stability depends upon such help and is important to our own security (Supporting Assistance);
- To provide for our share in certain programs under multilateral auspices (International Organization);
- To establish a presidential contingency fund to meet the unpredictable exigencies with which we will doubtless be confronted during the forthcoming year (Contingency Fund);
- To provide grant assistance to less-developed countries primarily to assist in development of their human resources (Development Grants);
- To make loans, repayable in U. S. dollars, to promote the economic development of less-developed countries and areas, with emphasis upon

long-term plans and programs designed to develop economic resources and increase productive capacities (Development Loans).

We would have to adjust to new terms, to say nothing of new amounts of money, under the proposed Act for International Development.



(\$ in millions)

\* including investment surveys and development research

\*\* including contributions—limited to 40 percent of the total from all participating countries—to the U.N. Expanded Program of Technical Assistance and the U.N. Special Fund

A broadened investment guaranty program to encourage private investment in less-developed countries is also included in AID. Guaranties would be extended to cover business risks, whereas former guaranties covered only losses from war, expropriation, and inconvertibility of local currency.

Another part of the new legislation, the International Peace and

Security Act, continues the program of military assistance. The Department of Defense will be the administrator, with advice and supervision coming from the Secretary of State.

### FIGHT ON FINANCING?

The major emphasis in the President's new approach to foreign aid is on long-range development—planning, programming, financing. To do this job he has asked Congress for authority to borrow \$7.3 billion from the Treasury over the next five years to make loans, repayable in U. S. dollars. This request for authority to borrow from the Treasury is the most controversial item in the proposed legislation. This method of providing funds without annual congressional appropriation has been labeled by those who don't approve of it as "backdoor spending."

Borrowing from the Treasury first began in 1932 in the Hoover Administration. Congress authorized the Reconstruction Finance Corporation to borrow the money for its operations from the Treasury, the Treasury to lend RFC the money from funds raised by the sale of Government bonds to the public.

Since 1932 this method has been used to finance other government agencies, e.g., the Commodity Credit Corporation, Export-Import Bank, Federal National Mortgage Association, Home Owners Loan Corporation, and Public Housing Administration. It has been used for such

programs as college housing and urban renewal loans, direct loans to veterans, defense production loans, subscriptions to the International Bank for Reconstruction and Development and the International Monetary Fund, and a loan to Britain. Most recently, April 1961, Congress authorized borrowing from the Treasury for Area Redevelopment.

Some Congressmen have always opposed "backdoor spending" on the grounds that it represents a further decline of congressional control over federal expenditures. Even so, the opposition raises no serious objection to this type of financing for established operations such as the Commodity Credit Corporation, Export-Import Bank, and International Monetary Fund.

In the foreign aid field, Treasury borrowing was first recommended to finance the Development Loan Fund by President Eisenhower in 1957 and subsequently by Senator Fulbright in 1959.

There are strong arguments in favor of long-term borrowing if we are to achieve a truly effective program of development assistance. It provides the only means by which we can engage in successful long-range planning. It provides powerful incentives—to recipient countries to undertake necessary internal reforms, to industrial nations to carry their fair share of development assistance. It is one of the most important features of the new approach.

President Kennedy stated his recommendation to Congress as follows:

"A program based on long-range plans instead of short-run crises cannot be financed on a short-term basis. Long-term authorization, planning, and financing are the key to the continuity and efficiency of the entire program. If we are unwilling to make such a long-term commitment, we cannot expect any increased response from other potential donors or any realistic planning from the recipient nations."

### PROPOSES REFORMS

The new approach requires consolidating, under the roof of a single agency within the Department of State, many aid programs now being administered by separate agencies.

The new organization is to be called the Agency for International Development (AID) and the Administrator will have rank equivalent to that of an Under Secretary of State. It will replace the International Cooperation Administration (ICA) and the Development Loan Fund (DLF). It will not operate the Food-For-Peace Program, though AID will be the State Department's voice on the foreign policy aspects of this program. The Department of Agriculture will continue to administer the sales of agricultural surpluses. The State Department, through AID, will give policy direction on use of these surpluses as an instrument of development assistance. AID will not include the Peace Corps, though arrangements will be made to bring Peace-Corps activities and AID programs into close relationship.

The proposed reorganization highlights a fundamental point made by the President: "... Economic development assistance can no longer be subordinated to, or viewed simply as a convenient tool for meeting, short-run political objectives. This is a situation we can ill afford when long-range, self-sustained economic growth of less-developed nations is our goal. Development assistance, therefore, must—and shall—take its place as a full partner in the complex of foreign policy."

The purpose of combining agencies and activities is not only to prevent duplication and waste but also to permit comprehensive planning, not just project planning, to meet the needs of nations in the developing world.

If we want to develop a country it is essential to consider the country

## A CHRONOLOGY OF U.S. FOREIGN AID

DATE	ACT, PROGRAM	ADMINISTRATIVE BODY
April 1948	European Recovery Program (Marshall Plan)	Economic Cooperation Administration
October 1949	Mutual Defense Assistance Act Military Assistance Program	Department of Defense
June 1950	Act for International Development (Point IV)	Technical Cooperation Administration
October 1951	Mutual Security Act	Office of Director for Mutual Security, coordinating: Mutual Security Agency, Technical Cooperation Administration, and, for military assistance, Department of Defense
January 1952	Mutual Security Program	
August 1953	Mutual Security (amended)	Foreign Operations Administration
July 1955	Mutual Security (amended)	International Cooperation Administration (Development Loan Fund, ICA subsidiary November 1957, became independent corporation July 1958)
May 26, 1961	Proposed Act for International Development	Proposed Agency for International Development
May 26, 1961	Proposed International Peace and Security Act	Department of Defense

as a unit and not support particular projects without reference to the nation's total needs. We must relate projects to priorities. A good road is presumed to be valuable, but we must always ask, before we help to build it, whether the road is first among many priorities in the over-all development plan.

To make this country-plan concept meaningful, AID will be organized geographically according to four regions—Far East, Near East and South Asia, Latin America, Africa and Europe.

### TO HELP PEOPLE

There are many other important features of the Act for International Development in addition to financing

and administration, one being a primary emphasis upon the development of human resources. The proposed legislation recognizes that we should help less-developed nations to build their political and social institutions, to develop skills in government and administration, to achieve minimal requirements in education, and to acquire the basic skills of industry, agriculture, business. We need to help people. We have learned from years of experience that assistance is not likely to achieve its purposes if it is unconcerned with social equity. And we need to elicit maximum self-help efforts from those whom we assist.

In fact the Act, in authorizing the President to furnish assistance, requires him to take into account the

"extent to which the recipient country is showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear willingness to take effective self-help measures."

It can readily be seen that the foreign aid bill this year calls for drastic but long-needed changes in financing, organization, and operation. AID calls for an enlarged American effort at home; it calls on others for an enlarged effort. It requires statesmanlike deliberation from Congressmen, responsible and effective administration from civil servants, understanding and sacrifice from citizens, to supply the funds, the work, and the support to make this enlarged effort effective.

## KULP (Keeping Up with League Program) (As of June 9)

**FOREIGN POLICY:** Foreign aid authorizing legislation described in this VOTER was introduced May 26 as S. 1983 in the Senate and H.R. 7372 in the House. Senate Foreign Relations Committee began hearings May 31; House Foreign Affairs Committee, June 7. When public witnesses are heard later this month League testimony will be given by a member of the national Board.

Opponents of foreign aid are sending a barrage of messages to the Hill. Unless Congress is convinced that foreign aid has substantial support throughout the country it will be reluctant to enact the proposed program. *Now is the time to let Senators and Representatives know that constituents believe economic and social assistance to the developing countries must be continued, that it must be long-term, efficiently administered, adequately financed.*

**Latin American Aid:** The President signed the Act appropriating \$500 million for Inter-American Fund for Social Progress May 27 (PL 87-41), after House and Senate had agreed on compromise provision that funds could not be loaned or reloaned under Inter-American Program at interest rates considered excessive by Inter-American Development Bank or higher than legal interest rate of recipient country.

**IDA:** The International Development Association marked the beginning of active financing operations May 12 by extending a development credit

of \$9 million to Honduras to assist in carrying out a program of highway development and maintenance. IDA, created by member countries of the World Bank in 1960, now has 42 members and initial subscriptions equivalent to \$863 million.

**Related Development:** President of Inter-American Development Bank left for Europe June 3 to try to interest European lending institutions in participating in Bank's operations in Latin America.

**Tourism:** House May 17 passed H.R. 4614 to encourage foreign travel to the United States. Bill was sent to conference with Senate to resolve differences with S. 610, passed February 20 by Senate.

**TRADE. GATT:** Second phase of the Geneva trade negotiations under General Agreement on Tariffs and Trade opened May 29. During this phase the United States will bargain with other countries for reciprocal tariff and trade concessions. May 22 the Secretary of State named 12 public advisers, representing agriculture, industry, labor, and the general public, to serve as members of U.S. delegation on rotating basis.

**Textile Conference:** The United States and key Western European nations have agreed to hold an international conference this summer to try to solve the acute problem of world trade in "low wage" textiles. Membership and date of meeting are still being negotiated.

### WATER RESOURCE DEVELOPMENT.

**Pollution Control:** Senate Public Works Committee reported June 7 amended version of S. 120, containing some provisions of House-passed H.R. 6441. As reported (Senate Report 353) bill proposes extending, at request of state Governor, federal anti-pollution enforcement authority to all navigable waters within a state, and raises annual limit on incentive payments to localities for construction of sewage-treatment facilities to \$70 million in 1962, \$80 million in '63, \$90 million in '64, and \$100 million in '65 and '66.

**Delaware Interstate Compact:** H.J. Res. 225, to approve a compact between federal government and Delaware Basin states, is on Consent Calendar of the House. Passed over when this Calendar was called June 5, it may come up for action soon under suspension of the rules.

### DISTRICT OF COLUMBIA. D. C.

**Voting Law:** The D.C. League in testimony before House District Committee May 15 urged that the D.C. voting law to implement the 23rd Amendment to the Constitution be written so as to encourage the maximum number of people to register and vote but, as protection against fraud, to emphasize that only those who do not claim voting residence elsewhere would be permitted to vote in the District.

*Bills and Reports available by number from House or Senate Document Room, Washington 25, D. C.*



# Dear Member:



Though there were only 104 delegates at the national Council meeting in Washington April 25-29, they represented 132,000 members of the League of Women Voters of the United States. Through careful reporting the activities and thinking of all of you were very much in evidence.

You note that I say 132,000 of us—a significant gain of more than 4,000 members over last year's figures. We welcome all of you who are new to the League and we hope you like it well enough to ask your friends and neighbors to join. It is one of the ironies of our present status as an organization that people have to be encouraged to join the League; thousands of women who are interested in the League and impressed with its accomplishments need to be reassured that they are eligible for membership.

In his inaugural address President Kennedy warned that the news would be worse before it was better. The Cuban affair certainly bore out his prediction. In his report to the nation following his recent talks in Paris and Vienna he also sounded a sober note. All over the world trouble spots have been erupting and here at home violence and bloodshed and racial strife pre-empt the headlines.

The headlines tell a story—and a very shocking story it often is—but not the whole story. The quiet competence and patience of U.S. negotiators in Geneva and the courage and discretion of League members in tense Southern communities are part of the story, too.

Many people in this country have a strong sense of uneasiness, of danger, of frustration. We have had a number of letters in the League office, some from our own members and some from other individuals and organizations, suggesting an all-out effort to mobilize the resources of the country against the common enemy, though there is some difference of opinion on how the common enemy is described. I understand and sympathize with the desire for action, but isn't there something fallacious in citizens' calling for an "all-out effort"? The expression somehow implies that one big concerted push will win the war for freedom, will establish a world which allows nations and people to live under a system of choice instead of a system of coercion. Our national leaders, on the other hand, forecast at least a decade of effort to accomplish what they now see should be done and what we as citizens must be prepared to do as our part.

Citizens of this country must learn to live with danger and to fight one battle after another. Walter Lippmann says the period of military supremacy we enjoyed from the end of World War II until the Russians perfected and stockpiled nuclear bombs has left the American public ill-prepared to understand the period of readjustment we are now going through, ill-prepared to make sacrifices for national security which is costly but still not perfect.

In a democratic government the people speak with many voices. In all the cacophony of sound in U.S.A. 1961 to whom do we speak, to whom do we tell the story of what the League of Women Voters thinks about foreign aid, for instance? An article in the June issue of *Harper's* enjoins us to speak more often to our friends and neighbors, less often to our representatives in Congress. I think we should speak to both. Speaking directly and at the right time to the people who will make the final decision on the foreign aid bill which was introduced in Congress on May 26 is very definitely the business of the League of Women Voters. To shirk this responsibility would to large extent negate the excellent work we have been doing on our foreign policy item.

But to think our job is done when we have thus spoken is also shirking. An occasional news story indicates almost unbelievable lack of public information in a day of mass dissemination of news. For example, a recent survey in one of our leading cities indicated that only 50 percent of the people knew who Adolf Eichmann is. More fantastic yet, telephone operators in the White House recently reported that they still receive calls for President Eisenhower, even President Truman.

And speaking of the White House, let me close by telling you that on May 3 my husband and I attended the state dinner given by President and Mrs. Kennedy for President Bourguiba of Tunisia and Mrs. Bourguiba. The invitation was a tribute to the League of Women Voters, to the work it has done and to the stature it has achieved. The contribution which voluntary association of citizens makes to the dynamics of a free society is a distinctive feature of the United States and is always impressive to those from other countries.

What the League does from here on out is even more important than what it has already done. What you, the member, do will help determine whether the world is to live under a system of choice or a system of coercion.

*Mrs. S. Phillips*  
President

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